



Greater Kokstad Local Municipality
Annual Financial Statements
for the year ended 30 June 2012

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

LEGAL FORM OF ENTITY

Local Municipality

MEMBERS OF THE COUNCIL

Cllr NT Jojozi	Mayor
Cllr ZA Mhlongo	Speaker
Cllr BM Mtolo	Deputy Mayor
Cllr FA Rodgers	Executive committee member
Cllr PX Xelitole	Member
Cllr TM Mohlakoana	Member
Cllr LJ Sithole	Member
Cllr MM Nondabula	Member
Cllr TO Madikizela	Member
Cllr NT Mqikela	Member
Cllr NC Nyembezi	Member
Cllr JL Kotting	Member
Cllr V Ncukana	Member
Cllr N Mavuka	Member
Cllr P Nocanda	Member
Cllr MN Dlakavu	Member

ACCOUNTING OFFICER/MUNICIPAL MANAGER

Mr F.T Nxumalo	December 2011- present
Mr Nkosi	July 2011-September 2011

CHIEF FINANCIAL OFFICER

Mrs N. Gqola	June 2012-present
Mr L. Ndzelu	July 2011-March 2012

GRADING OF LOCAL AUTHORITY

Level 7

AUDITORS

Auditor General South Africa(AGSA)

REGISTERED OFFICE/PHYSICAL ADDRESS

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Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

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Approval of Annual Financial Statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 48, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr F.T Nxumalo
Municipal Manager
31 August 2012

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

			June 2012 R	June 2011 R
ASSETS				
Current Assets				
Inventories	<u>30.20</u>	2	407 113	477 578
Other receivables from non-exchange transactions	<u>33.20</u>	3	1 507 877	3 949 122
VAT receivable	<u>31.20</u>	4	1 285 341	4 081 272
Prepayments	<u>27.20</u>		231 069	79 533
Trade and other receivables from exchange transactions	<u>31.20</u>	5	20 556 864	29 219 304
Cash and cash equivalents	<u>32.20</u>	6	8 229 178	4 844 697
			32 217 442	42 651 506
Non-Current Assets				
Investment property	<u>21.20</u>	7	3 559 513	3 559 513
Property, plant and equipment	<u>20.20</u>	8	388 042 947	388 888 797
Intangible assets	<u>23.22</u>	9	199 647	537 441
			391 802 107	392 985 751
Non-current assets held for sale and assets of disposal groups	<u>68.20</u>		(392 245)	-
Non-Current Assets			391 802 107	392 985 751
Current Assets			32 217 442	42 651 506
Non-current assets held for sale (and) (assets of disposal groups)			(392 245)	-
Total Assets			423 627 304	435 637 257
LIABILITIES				
Current Liabilities				
Finance lease obligation	<u>25.29</u>	10	732 536	645 341
Trade and other payables from exchange transactions	<u>51.20</u>	11	32 573 298	28 159 027
Consumer deposits	<u>51.20</u>	12	3 288 446	2 862 364
Unspent conditional grants and receipts	<u>43.20</u>	13	5 485 762	1 890 863
Provisions	<u>52.20</u>	14	2 321 312	5 388 197
Current borrowings	<u>43.27</u>	15	629 283	558 036
			45 030 637	39 503 828
Non-Current Liabilities				
Finance lease obligation	<u>25.29</u>	10	2 406 153	649 913
Retirement benefit obligation	<u>27.22</u>	16	12 734 326	10 782 151
Provisions	<u>52.20</u>	14	-	(3 678 270)
Long term Borrowings	<u>43.27</u>	15	2 890 980	3 520 263
			18 031 459	11 274 057
Non-Current Liabilities			18 031 459	11 274 057
Current Liabilities			45 030 637	39 503 828
Liabilities of disposal groups			-	-
Total Liabilities			63 062 096	50 777 885
Assets			423 627 304	435 637 257
Liabilities			(63 062 096)	(50 777 885)
Net Assets			360 565 208	384 859 372
NET ASSETS				
Accumulated surplus	<u>40.24</u>		360 565 208	384 859 372

Greater Kokstad Local Municipality

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Statement of Financial Performance

	Note	June 2012 R	June 2011 R
Revenue			
Property rates	17	52 045 924	52 250 702
Service charges	18	88 037 842	82 376 866
Property rates - penalties imposed and collection charges		2 640 932	458 803
Rental of facilities and equipment		1 018 257	875 464
Public contributions and donations		9 197	2 067 340
Fines		1 457 330	742 976
Licences and permits		2 890 119	4 023 111
Government grants & subsidies	19	73 603 215	64 671 158
Recoveries		218 991	116 014
Interest received - other		771 048	1 070 185
Total Revenue	40	222 692 855	208 652 619
Expenditure			
Personnel	21	(69 267 399)	(62 923 878)
Remuneration of councillors	22	(4 255 409)	(3 198 403)
Depreciation and amortisation	24	(40 552 263)	(15 848 032)
Finance costs	25	(728 242)	(1 247 831)
Debts written off	23	(1 428 415)	(6 506 544)
Collection costs		(1 587 470)	(766 253)
Repairs and maintenance		(2 003 528)	(2 370 057)
Bulk purchases	26	(51 610 779)	(40 372 093)
General expenses	20	(73 784 372)	(61 048 587)
Total Expenditure		(245 217 877)	(194 281 678)
Gain on disposal of assets and liabilities		22 056	593 607
Revenue		222 692 855	208 652 619
Expenditure		(245 217 877)	(194 281 678)
Other		22 056	593 607
(Deficit) surplus for the year		(22 502 966)	14 964 548

Greater Kokstad Local Municipality

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Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	5 991 000	108 461 987	114 452 987
Adjustments			
Prior period error	-	5 302 000	5 302 000
Change in accounting policy	-	242 708 978	242 708 978
Balance at 01 July 2010 as restated	5 991 000	356 472 965	362 463 965
Changes in net assets			
Write off of reserve	(5 991 000)	-	(5 991 000)
Transfers to accumulated surplus	-	13 421 855	13 421 855
Net income (losses) recognised directly in net assets	(5 991 000)	13 421 855	7 430 855
Profit for the year	-	14 964 552	14 964 552
Total recognised income and expenses for the year	(5 991 000)	28 386 407	22 395 407
Total changes	(5 991 000)	28 386 407	22 395 407
Balance at 01 July 2011	-	384 859 373	384 859 373
Changes in net assets			
• Prior year adjustments	-	(1 791 203)	(1 791 203)
Net income (losses) recognised directly in net assets	-	(1 791 203)	(1 791 203)
(Deficit) for the year	-	(22 502 962)	(22 502 962)
Total recognised income and expenses for the year	-	(24 294 165)	(24 294 165)
Total changes	-	(24 294 165)	(24 294 165)
Balance at 30 June 2012	-	360 565 208	360 565 208

Note

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

	Note	June 2012 R	June 2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxation		-	35 673 552
Sale of goods and services		147 072 147	103 483 347
Grants		73 603 215	64 671 158
Interest income		771 048	1 070 185
Other receipts		1 246 445	2 926 341
		<u>222 692 855</u>	<u>207 824 583</u>
Payments			
Employee costs		(73 522 808)	(66 122 281)
Suppliers		(51 610 779)	(46 736 678)
Finance costs		(728 242)	(1 247 831)
Other payments		(56 360 578)	(60 007 812)
		<u>(182 222 407)</u>	<u>(174 114 602)</u>
Total receipts		222 692 855	207 824 583
Total payments		(182 222 407)	(174 114 602)
Net cash flows from operating activities	27	40 470 448	33 709 981
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(67 202 329)	(31 029 069)
Proceeds from sale of property, plant and equipment	8	28 830 962	618 825
Purchase of investment property	7	-	(310 000)
Purchase of other intangible assets	9	-	(83 139)
Net cash flows from investing activities		(38 371 367)	(30 803 383)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in long term borrowings		(558 036)	(3 914 898)
Finance lease payments		1 843 435	156 469
Net cash flows from financing activities		1 285 399	(3 758 429)
Net increase/(decrease) in cash and cash equivalents		3 384 480	(851 831)
Cash and cash equivalents at the beginning of the year		4 844 697	5 696 528
Cash and cash equivalents at the end of the year	6	8 229 177	4 844 697

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Basis of presentation

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The standards are summarised as follows:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statement
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the Reporting Date
GRAP 16 Investment Properties
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non Current Assets Held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets
IPSAS 20 Related Party Disclosure
IIAS 39 Financial Instruments

These accounting policies are consistent with the previous period, except for the changes set out in note 39 Changes in accounting policy.

The municipality did not recognise all the property, plant and equipment and intangible assets in accordance with GRAP for the financial years up to 30 June 2011. The municipality has identified and measured all property, plant and equipment and intangible assets in terms of GRAP for the financial year ended 30 June 2012. The balances of property, plant and equipment and intangible assets have been retrospectively restated accordingly.

A summary of the significant accounting policies which have been consistently applied, except where transitional provisions have been previously granted, are disclosed below.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The figures to the annual financial statements are rounded to the nearest rand.

1.2 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Amendments to standards and interpretations issued but not yet effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the Municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non- Cash generating assets- issued March 2009
GRAP 23 Revenue from Non- Exchange Transactions
GRAP 24 Presentation of Budget Information - issued November 2007
GRAP 25 Employee Benefits - issued 11 January 2009
GRAP 26 Impairment of Cash generating assets - issued March 2009
GRAP103 Heritage Assets
GRAP104 Financial Instruments

The following GRAP Standards have been issued and effective but are not applicable to the municipality

GRAP 4 The effects of changes in Foreign Exchange Rates
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investment in Associate
GRAP 8 Interest in Joint Ventures
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 101 Agriculture
IFRS 3 (AC 140) Business Combinations
IAS 12 (AC 102) Income Taxes

1.4 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Property, plant and equipment

1.5.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Greater Kokstad Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

1.5.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.5.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful life.

Land is not depreciated as it is deemed to have an indefinite useful life.

Capital work in progress is not depreciated until it is transferred to the applicable property, plant and equipment category once it is ready and available for its intended use.

The annual depreciation rates are based on the following estimated average asset lives:

Building	80 years	Motor vehicles	5-7 years
Infrastructure		Other	
Roads and Paving	20 years	Emergency equipment	5 years
Bridges	30 years	Landfill sites	15 years
Storm water	15 years	Office equipment	5 years
Gravel	20 years	Furniture and fittings	5 years
Substations and Transformers	40 years	Bins and containers	5 years
Poles, Cables and Lights	15-25 years	Plant and equipment	5- 7 years
Robots	10 years	Other	5 years
Community			
Buildings	80 years		
Recreational Facilities	5 years		
Security system	5 years		
Dams	5-15 years		
Libraries	15-20 years		
Parks and Gardens	15 years		
Cemeteries	15-20 years		
Community centres	5-20 years		
Computer equipment	3-5 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.5.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Greater Kokstad Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

The residual value and the useful life of each asset are reviewed at the end of each reporting date. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation method applied to an asset is reviewed at each reporting date. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.6 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

1.6.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset/s given up.

1.6.2 Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Residual value of intangible assets is estimated to be zero.

1.6.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.6.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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Accounting Policies

1.7 Investment property

1.7.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property.

The cost of self-constructed investment property is the cost at date of completion.

1.7.2 Subsequent measurement-Fair value model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.8 Inventories

1.8.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.8.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.9 Financial instruments

Classification

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial liabilities.

1.9.1 Initial recognition

Financial instruments are initially recognised at fair value.

1.9.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other").

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Accounting Policies

1.9 Financial instruments (continued)

The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.9.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as fair value and classified under cash and cash equivalents and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Gains and Losses arising from changes in fair values are included in profit and loss for the period.

1.9.2.2 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial

reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Consumer Debtors per impairment category

Category A - Regular payers and Government Accounts - 0 %

- Consumers with accounts not older than 60 days
- Government

Category B - Irregular Payers (50% less than 180 days and 100% on rest)

- Amounts owing but do pay

Category C - Doubtful 100% all amounts

- Consumers with no payment history
- Owing longer than 60 days with no payments for 6 months
- Inactive accounts

1.9.2.3 Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised. Other financial liabilities are carried at amortised cost.

1.9.2.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.9 Financial instruments (continued)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.10 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.11 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount

rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.14 Leases

1.14.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1.14.2 The Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Operating leases - lessee

Payments made under operating leases are charged to the statement of financial position on a straight line basis over the period of the lease.

Operating leases - lessor

Assets leased to third parties under operating lease are included in investment property in the Statement of Financial Position. The assets are depreciated over their expected useful lives on a basis consistent with similar owned investment property. Rental income is recognised over the lease term.

1.15 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis.

1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summons. Revenue from spot fines and summons is recognised when payment is received. There's uncertainty regarding full recoverability of outstanding fines and summons. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summon, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

1.16.1 Grants, transfer and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is

conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised .

1.17 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.18 Employee benefits

Defined contribution plans

The municipality provides retirement benefits for its employees and councillors. Contributions are made to South African Local Authority Pension Fund and to the Contribution to the South African Local Authority Pension Fund (SALA) and made as follows:

Members-8.6%

Council-20.78%

Contribution to the Natal Joint Provided Fund (NJPF) and are made as follows:

Provident 1.-1 Member-5% Council-13.65%

Provident 2.-2 Member-7% Council-18%

Provident 2.-3 Member-79.25% Council-18%

Retirement

60 Members

Council- 29%

Superannuation

56 Members

Member- 9.25%

Council-25%

Councillors-28.75%

10 Members

Member- 13.75%

Member-15%

Medical Aid

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The Municipality provides post- retirement benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds.

1.19 Impairment of assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount

of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.19 Impairment of assets (continued)

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.20 Housing Operating Account

Housing account:

The municipality is an implementing agent, it does not generate any proceeds from the construction of houses. Completed houses are transferred to respective owners.

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Value Added Taxation

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
2. INVENTORIES		
Stores, materials and fuels	407 113	477 578
3. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Sundry debtors	1 507 877	3 949 122
4. VAT RECEIVABLE		
VAT	1 285 341	4 081 272
Movement for the year		
Input Vat	56 794 647	39 624 006
Output Vat	(55 504 490)	(35 542 734)
	1 290 157	4 081 272
5. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Rates	16 919 737	17 921 553
Electricity	7 420 456	7 859 821
Refuse	22 305 800	23 626 525
Fire Levy	872 055	923 689
Add: Debtors with Credit Balances	-	3 948 441
	47 518 048	54 280 029
Less: Provision for debt impairment		
Rates	(121 390)	-
Electricity	(4 290 158)	(7 479 276)
Refuse	(21 755 817)	(16 702 482)
Fire Levy	(793 819)	(878 967)
	(26 961 184)	(25 060 725)
Net balance		
Rates	16 798 347	17 921 553
Electricity	3 130 298	1 327 303
Refuse	549 983	9 814 463
Fire Levy	78 236	155 985
	20 556 864	29 219 304
Rates		
Current (0 -30 days)	2 211 543	2 342 485
30 Days	689 262	730 072
60 Days	481 876	510 407
90 Days	413 469	437 950
+120 Days	13 123 586	13 900 610
	16 919 736	17 921 524
Electricity		
Current (0 -30 days)	2 163 425	2 567 547
30 Days	966 874	1 147 483
60 Days	888 413	1 054 366
90 Days	168 840	200 379

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
5. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
+120 Days	3 232 905	3 836 803
	7 420 457	8 806 578
Refuse		
Current (0 -30 days)	1 290 320	1 533 922
30 Days	865 121	1 028 449
60 Days	4 138 060	4 919 290
90 Days	707 050	840 535
+120 Days	15 305 249	18 194 750
	22 305 800	26 516 946
Fire Levy		
Current (0 -30 days)	45 710	54 249
30 Days	32 526	38 602
60 Days	103 350	122 655
90 Days	29 544	35 063
+120 Days	660 924	784 384
	872 054	1 034 953
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	8 302 231	7 627 867
30 Days	-	3 454 925
60 Days	2 767 560	5 571 559
90 Days	1 808 316	1 214 525
+120 Days	34 639 941	36 411 153
	47 518 048	54 280 029
Less: Provision for debt impairment	(26 961 184)	(25 060 725)
	20 556 864	29 219 304
National and provincial government		
Current (0 -30 days)	-	749 101
30 Days	1 914 840	298 781
60 Days	1 493 632	148 647
90 Days	89 284	43 003
+120 Days	114 374	30 478
	3 612 130	1 270 010
Less: Provision for debt impairment	-	(621 529)
	3 612 130	648 481
Reconciliation of debt impairment provision		
Balance at beginning of the year	(25 060 725)	(23 276 257)
Contributions to provision- Exchange transactions	(1 850 009)	4 722 075
Contributions to provision- Non-Exchange transactions	(50 451)	-
Reversal of provision	-	(6 506 543)
	(26 961 185)	(25 060 725)

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
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6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	24 074	24 821
Bank balances	2 251 292	1 200 797
Call deposits	5 953 812	3 619 079
	8 229 178	4 844 697

Call deposits

Account number	Account description	Bank statement balances	
		30 June 2012	30 June 2011
FNB - 620 4994 7825	Reserve Account	61 000	61 000
FNB - 620 6810 2682	Peoples Housing Project	28 878	28 587
FNB - 620 8937 2868	Municipal Infrastructure Grant	1 990	2 000
FNB - 620 8992 7663	MSIG Project Consolidate	2 173	1 000
FNB - 621 9170 1476	FMG Provincial Treasury	1 547	97 989
FNB - 621 0368 9230	Horse Shoe Housing	1 273 034	1 224 081
FNB - 621 9024 8221	House Operating Account	1 577 986	1 517 710
STD - 308 6440 85	Small Town Rehabilitation	3 003 209	-
NED- 037 1650 13687	Sport and recreation	(106)	179 166
FNB - 622 9521 8947	LED	2 000	505 542
FNB - 623 0064 1611	GKM Properties rental	2 105	2 000
		5 953 816	3 619 075

7. INVESTMENT PROPERTY

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	3 559 513	-	3 559 513	3 559 513	-	3 559 513

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	3 559 513	3 559 513

Reconciliation of investment property - 2011

	Opening balance	Additions	Other changes, movements	Total
Investment property	16 126 000	310 000	(12 876 487)	3 559 513

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
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8. PROPERTY, PLANT AND EQUIPMENT

	2012			2011 Restated		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and buildings	127 559 991	(79 542 392)	48 017 599	127 163 681	(77 640 272)	49 523 409
Motor vehicles	5 721 190	(1 349 412)	4 371 778	6 117 506	(3 847 578)	2 269 928
Infrastructure	731 167 112	(460 853 446)	270 313 666	713 349 181	(429 835 636)	283 513 545
Community	114 523 508	(79 751 598)	34 771 910	104 889 573	(77 650 220)	27 239 353
Other property, plant and equipment	19 218 044	(7 865 657)	11 352 387	13 838 826	(5 983 423)	7 855 403
Capital work in progress	17 989 282	-	17 989 282	17 260 834	-	17 260 834
Heritage	1 226 325	-	1 226 325	1 226 325	-	1 226 325
Total	1 017 405 452	(629 362 505)	388 042 947	983 845 926	(594 957 129)	388 888 797

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Total
Land and Buildings	49 523 409	396 310	-	-	(1 902 120)	48 017 599
Motor vehicles	2 269 928	4 164 311	(15 950)	-	(2 046 511)	4 371 778
Infrastructure	283 513 545	17 817 931	-	-	(31 017 810)	270 313 666
Community	27 239 353	9 633 935	-	-	(2 101 378)	34 771 910
Other property, plant and equipment	7 855 403	5 903 504	(235 066)	975 195	(3 146 649)	11 352 387
Capital work in progress	17 260 834	29 286 338	(28 557 890)	-	-	17 989 282
Heritage	1 226 325	-	-	-	-	1 226 325
	388 888 797	67 202 329	(28 808 906)	975 195	(40 214 468)	388 042 947

Reconciliation of property, plant and equipment - 2011 Restated

	Opening balance	Additions	Disposals	Transfers	Prior period adjustment	Depreciation	Total
Land and Buildings	27 208 843	2 869 213	-	-	21 763 262	(2 317 909)	49 523 409
Motor vehicles	-	726 376	-	-	356 764	1 186 788	2 269 928
Infrastructure	78 779 381	7 547 703	-	-	213 821 065	(16 634 604)	283 513 545
Community	2 607 419	506 207	-	-	22 201 851	1 923 876	27 239 353
Other property, plant and equipment	5 224 594	2 118 736	(25 218)	2 633 711	(2 622 398)	525 978	7 855 403
Heritage	1 195 000	-	-	-	31 325	-	1 226 325
Capital work in progress	-	17 260 834	-	-	-	-	17 260 834
	115 015 237	31 029 069	(25 218)	2 633 711	255 551 869	(15 315 871)	388 888 797

Assets subject to finance lease (Net carrying amount)

Motor vehicles	4 371 778	2 269 928
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
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9. INTANGIBLE ASSETS

	2012			2011		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	2 180 556	(1 980 909)	199 647	2 180 556	(1 643 115)	537 441

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	537 441	(337 794)	199 647

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Prior Period adjustment	Other changes, movements	Amortisation	Total
Computer software, other	877 802	83 139	33 596	75 063	(532 159)	537 441

10. FINANCE LEASE OBLIGATION

Minimum lease payments due

- within one year	1 063 085	747 065
- in second to fifth year inclusive	2 833 561	740 261
	3 896 646	1 487 326
less: future finance charges	(757 957)	(192 072)
Present value of minimum lease payments	3 138 689	1 295 254

Present value of minimum lease payments due

- within one year	732 536	757 877
- in second to fifth year inclusive	2 406 153	537 377
	3 138 689	1 295 254

Non-current liabilities	2 406 153	649 913
Current liabilities	732 536	645 341
	3 138 689	1 295 254

11. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	4 622 789	2 111 380
Accrued leave pay	4 396 135	6 194 065
Other payables	20 304 253	15 905 141
Add: Debtors with credit balances	3 250 121	3 948 441
	32 573 298	28 159 027

12. CONSUMER DEPOSITS

Electricity	3 288 446	2 862 364
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Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent conditional grants and receipts comprises of:		
Horseshoe Township	1 273 030	1 224 081
Peoples Housing Project 12 and 13	28 878	28 588
Small Town Rehabilitation	2 948 646	-
Local Economic development	-	482 793
KZN Arts and Culture	67 830	155 400
Housing account	1 167 378	-
	5 485 762	1 890 862

Housing account:

The municipality is an implementing agent, it does not generate any proceeds from the construction of houses.

The construction is on going.

14. PROVISIONS

Reconciliation of provisions -2012

	Opening Balance	Utilised during the year	Total
Other provisions	1 709 927	611 385	2 321 312

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Correction of error	Total
Provision for landfill site	5 302 000	-	-	(5 302 000)	-
Other provisions	627 220	1 726 917	(644 210)	-	1 709 927
	5 929 220	1 726 917	(644 210)	(5 302 000)	1 709 927

Non-current liabilities	-	(3 678 270)
Current liabilities	2 321 312	5 388 197
	2 321 312	1 709 927

Landfillsite Provision

Balance at the beginning of the year	-	5 302 000
Correction of error	-	(5 302 000)
Balance at the end of the year	-	-

The provision created for the rehabilitation of the landfill site is based on managements assessment of the rehabilitation costs of the Shayamoya dumpsite

15. LONG TERM BORROWINGS

The following loan bears interest at 12.26% per annum, with bi-annual instalments of R520,762.45 in December and June. The loan is repayable by 31 December 2016 and the capital portion amounts to R5,800,000.

Bhekintaba Station

Current Borrowings	629 282	558 036
Non-Current Borrowings	2 890 980	3 520 263

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
15. LONG TERM BORROWINGS (continued)	3 520 262	4 078 299

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
16. RETIREMENT BENEFITS AND LONG SERVICE AWARD		
Movement for the year		
Opening balance	(10 782 151)	(8 993 954)
Net actuarial gains or losses not recognized	(1 124 633)	(974 412)
Current service cost	(454 413)	(386 656)
Interest cost	(889 516)	(808 283)
Contributions	516 387	381 154
	(12 734 326)	(10 782 151)
Defined contribution plan		
It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.		
The municipality is under no obligation to cover any unfunded benefits.		
Long Service Awards		
Opening balance	(2 103 773)	(1 755 696)
Net actuarial gains or losses not recognized	(255 664)	(156 672)
Current service cost	(196 336)	(153 008)
Interest cost	(155 356)	(154 411)
Contributions	218 991	116 014
	(2 492 138)	(2 103 773)
Post Employment Health Care Benefits		
Present value of the defined benefit obligation - Wholly unfunded	(8 678 378)	(7 238 258)
Net actuarial gains or losses not recognized	(868 969)	(817 740)
Current service cost	(258 077)	(233 648)
Interest cost	(734 160)	(653 872)
Contributions	297 396	265 140
	(10 242 188)	(8 678 378)

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

2012	2011
R	R

16. RETIREMENT BENEFITS AND LONG SERVICE AWARD (continued)

PeHCL report

Table 5.1: Key financial assumptions

Assumption	Value p.a.
Discount rate	8.60%
Health care cost inflation rate	7.29%
Net effective discount rate	1.23%

Table 5.2: Key demographic assumptions

Assumption	Value		
Average retirement age	63 for males; 58 for females		
Continuation of membership at retirement	100%		
Proportion assumed married at retirement	90%		
Proportion of eligible current non-member employees joining the scheme by retirement	30%		
Mortality during employment	SA 85-90		
Mortality post-retirement	PA90-1		
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Greater Kokstad Local Municipality

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2012	2011
R	R

16. RETIREMENT BENEFITS AND LONG SERVICE AWARD (continued)

Table 6.1: Accrued Liability (R millions)

Category	30/06/2011	30/06/2012
<i>In-service members</i>	3.812	4.130
<i>In-service non-members</i>	0.472	0.643
Total In-service	4.284	4.773
Continuation members	4.395	5.469
All members		
Total liability	8.678	10.242
Value of assets	0.000	0.000
Unfunded liability	8.678	10.242

Table 6.2: Current-service and Interest Costs (Rands)

Category of Member	Year ending 30/06/2012	Year ending 30/06/2013
In-service Employees		
Current-service Cost	258,100	313,900
All Eligible Individuals		
Interest Cost	734,200	778,700

Table 6.7 Actuarial Gains and Losses

Actuarial (Gain)/Loss for the period	868,969
Contribution to Actuarial (Gain)/Loss:	
Basis changes: decrease in net discount rate	622,689
Contribution increases higher than assumed	144,512
Changes to membership profile different from assumed	101,768

Table 6.8 History of liabilities and assets (R millions)

	30/06/2010	30/06/2011	30/06/2012
Present value of accrued liability	7.238	8.678	10.242
Fair value of plan asset	0.000	0.000	0.000
Surplus / (deficit)	(7.238)	(8.678)	(10.242)

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2012	2011
R	R

16. RETIREMENT BENEFITS AND LONG SERVICE AWARD (continued)

Table 6.9: History of experience adjustments: Gains and losses (R millions)

Experience adjustments	Year ending 30/06/2011	Year ending 30/06/2012
Liabilities: (Gain) / loss	0.047	0.246
Assets: Gain / (loss)	0.000	0.000

Table 7.1: Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% Change
Central Assumptions		4.773	5.469	10.242	
Health care inflation	1%	5.770	6.150	11.920	16%
	-1%	3.986	4.893	8.879	-13%
Post-retirement mortality	-1 yr	4.938	5.678	10.616	4%
Average retirement age	-1 yr	5.128	5.469	10.597	3%
Withdrawal Rate	-50%	5.202	5.469	10.671	4%

Table 7.3: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2013

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		313,900	778,700	1,092,600	
Health care inflation	+1%	387,400	908,600	1,296,000	19%
	-1%	256,700	673,200	929,900	-15%
Post-retirement mortality	-1 yr	324,300	807,700	1,132,000	4%
Average retirement age	-1 yr	341,200	806,200	1,147,400	5%
Withdrawal Rate	-50%	357,700	811,900	1,169,600	7%

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2012	2011
R	R

16. RETIREMENT BENEFITS AND LONG SERVICE AWARD (continued)

Table 7.2: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2012

Assumption	Change	Current-Service Cost	Interest Cost	Total	% change
Central Assumptions		258,100	734,200	992,300	
Health care inflation	+1%	317,700	853,300	1,171,000	18%
	-1%	211,500	637,000	848,500	-14%
Post-retirement mortality	-1 vr	266,200	760,100	1,026,300	3%
Average retirement age	-1 vr	283,700	759,200	1,042,900	5%
Withdrawal Rate	-50%	292,300	762,000	1,054,300	6%

Table A4.1: Withdrawal rates

Age	Females	Males
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
> 55	0%	0%

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2012
R

2011
R

16. RETIREMENT BENEFITS AND LONG SERVICE AWARD (continued)

Table A5.1 Past year and future projected Liability

	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014
Opening Accrued Liability	8,678,378	10,242,188	10,973,162
Current-service Cost	258,077	313,886	338,172
Interest Cost	734,160	778,732	834,348
Contributions (benefits paid)	* (297,396)	(361,644)	(386,440)
Total Annual Expense	694,841	730,974	786,080
Actuarial Loss / (Gain)	868,969	-	-
Closing Accrued Liability	10,242,188	10,973,162	11,759,242

Table A5.2 Balance Sheet Figures

	Year ending 30/06/2012	Year ending 30/06/2013
Balance Sheet		
Fair Value of Plan Assets	-	-
Accrued Liability	10,242,188	10,973,162
Unfunded Accrued Liability	10,242,188	10,973,162
Unrecognised Transitional Liability	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Unrecognised Past Service Cost	-	-
Miscellaneous Item	-	-
Net Liability in Balance Sheet	10,242,188	10,973,162

Table A5.3 Reconciling and Projecting the Unfunded Accrued Liability

	Year ending 30/06/2012	Year ending 30/06/2013
Unfunded Accrued Liability		
Opening Balance	8,678,378	10,242,188
Current-service Cost	258,077	313,886
Interest Cost	734,160	778,732
Expected Return on Plan Assets	-	-
Actuarial (Gain)/Loss	868,969	-
Past-service Cost	-	-
Effect of Curtailment/Settlement	-	-
Expected Employer Benefit Payments	(297,396)	(361,644)
Employer Prefunding Contributions	-	-
Closing Balance	10,242,188	10,973,162
Projected Accrued Liability	9,373,219	10,973,162

Greater Kokstad Local Municipality

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	2012 R	2011 R
17. PROPERTY RATES		
Rates received		
Residential	21 287 676	21 140 571
Commercial	23 488 814	24 855 174
State	26 508 480	25 876 657
Less: Rates Rebates	(19 239 046)	(19 621 700)
	52 045 924	52 250 702
Property rates - penalties imposed and collection charges	2 640 932	458 803
	54 686 856	52 709 505
Valuations	R'000	R'000
Residential	1 044 462	1 059 163
Commercial	1 604 816	1 627 405
State	778 227	789 181
Municipal	117 782	119 440
	3 545 287	3 595 189

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rates for the year under review have been levied as follows:

Category	Randage in Cents/Rand	Rebate%	Exemption
Residential	0.02 cents/rand	41	40 000
Commercial	0.03 cents/rand	22	-
		(25)	-

18. SERVICE CHARGES

Sale of electricity	73 141 032	68 248 156
Refuse removal	12 146 667	10 340 368
Other service charges	2 750 143	3 788 342
	88 037 842	82 376 866

Greater Kokstad Local Municipality

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	2012 R	2011 R
19. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	42 946 000	36 196 084
MSIG Project Consolidate	790 000	750 000
Financial Management Grant	1 250 000	3 795 224
KZN Province	482 793	17 207
Municipal Infrastructure Grant	15 927 000	8 718 865
Housing Grant	7 421 101	10 040 868
Lottery Funding	-	996 312
DME	-	1 898 663
Sports and Recreation	703 106	1 624 317
Arts and Culture	831 861	633 618
Small Town Rehabilitation	3 251 354	-
	73 603 215	64 671 158

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

MSIG Project Consolidate

Current-year receipts	790 000	750 000
Conditions met - transferred to revenue	(790 000)	(750 000)
	-	-

Financial Management Grant - FMG

Balance unspent at beginning of year	-	170 504
Current-year receipts	1 250 000	2 857 868
Conditions met - transferred to revenue	(1 250 000)	(3 028 372)
	-	-

KZN Province

Balance unspent at beginning of year	-	351 495
Current-year receipts	-	8 150
Other	-	(359 645)
	-	-

Municipal Infrastructure Grant - MIG

Balance unspent at beginning of year	-	34 556
Current-year receipts	15 927 000	14 364 212
Conditions met - transferred to revenue	(15 927 000)	(14 398 768)
	-	-

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	2012 R	2011 R
19. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Small Town Rehabilitation		
Current-year receipts	6 200 000	-
Conditions met - transferred to revenue	(3 251 354)	-
	2 948 646	-
Conditions still to be met - remain liabilities (see note 13)		
Horseshoe Township		
Balance unspent at beginning of year	1 224 081	1 186 657
Current-year receipts	48 949	37 424
	1 273 030	1 224 081
Conditions still to be met - remain liabilities (see note 13)		
Arts and culture		
Balance unspent at beginning of year	155 400	-
Current-year receipts	744 291	789 018
Conditions met - transferred to revenue	(831 861)	(633 618)
	67 830	155 400
Conditions still to be met - remain liabilities (see note 13)		
Peoples Housing Grant		
Balance unspent at beginning of year	28 588	32 243
Current-year receipts	291	-
Conditions met - transferred to revenue	-	(3 655)
	28 879	28 588
Conditions still to be met - remain liabilities (see note 13)		
Sports and Recreation		
Current-year receipts	675 000	1 575 000
Conditions met - transferred to revenue	(675 000)	(1 575 000)
	-	-

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	2012 R	2011 R
20. GENERAL EXPENSES		
Contribution to doubtful debt provision	1 605 459	-
Actuarial loss - post employment benefit	1 124 633	974 412
Administration	150 223	198 636
Advertising	784 151	565 695
Auditors remuneration	1 524 412	1 791 729
Bank charges	383 361	262 161
Commission paid	455 086	136 095
Conferences and seminars	214 320	252 858
Consulting and professional fees	3 309 679	1 256 424
Current service cost	454 413	386 656
Departmental consumption	3 463 640	1 243 057
Entertainment	144 914	95 514
Financial management grant	1 108 759	3 795 224
Fuel and oil	1 581 186	1 040 040
Grant expenses	9 425 537	13 292 965
Insurance	2 538 758	1 873 505
Interest cost on post employment benefit	889 516	808 283
Lease rentals on operating lease	1 465 591	579 566
Levies	11 339	10 181
Licence fees	135 088	112 154
Loss on disposal of assets	-	14 515
Magazines, books and periodicals	1 598 989	1 578 413
Other expenses	26 138 240	18 775 895
Postage and courier	620 669	594 137
Printing and stationery	882 299	664 371
Security (Guarding of municipal property)	3 689 390	2 725 285
Stocks and materials	1 198 145	1 189 364
Electricity network	1 705 021	1 572 258
Telephone and fax	1 081 832	1 127 428
Training	919 900	1 312 440
Transport claims	79 866	262 230
Travel - local	3 351 117	1 986 720
Uniforms	781 401	429 885
Valuation costs	967 438	140 491
	73 784 372	61 048 587

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	2012 R	2011 R
21. EMPLOYEE RELATED COSTS		
Basic	51 515 746	47 739 194
Bonus	1 453 564	832 385
Medical aid - company contributions	193 021	116 634
UIF	688 872	563 169
Post-employment benefits - Pension - Defined contribution plan	7 628 764	5 839 917
Travel, motor car, accommodation, subsistence and other allowances	4 039 345	3 734 068
Overtime payments	1 967 174	2 393 827
Long-service awards	655 942	1 363 993
Housing benefits and allowances	1 124 971	340 691
	69 267 399	62 923 878
Remuneration of Municipal Manager		
Annual Remuneration	650 518	814 859
Car and Cellphone Allowance	170 784	138 000
Performance and other Bonuses	168 180	96 423
Contributions to UIF, Medical and Pension Funds	78 049	45 000
Housing Allowance	101 776	-
Leave Payout	189 291	-
	1 358 598	1 094 282
Remuneration of Chief Finance Officer		
Annual Remuneration	361 781	443 276
Car and Cellphone allowance	149 826	185 409
Contributions to UIF, Medical and Pension Funds	65 567	81 850
Housing Allowances	30 785	39 464
Performance Bonus	82 387	71 200
Leave Payout	150 377	-
	840 723	821 199
Remuneration of Corporate Services Manager- Senior Manager- Mr LT Somtseu		
Annual Remuneration	531 966	472 719
Car Allowance,Cell Allowance	172 643	240 984
Performance Bonuses and other	82 387	75 947
Contributions to UIF, Medical and Pension Funds	28 526	36 296
Leave Payout	206 260	-
	1 021 782	825 946
Remuneration of Social Development Manager- Senior Manager- Mr N Msiya		
Annual Remuneration	487 858	460 529
Car Allowance,Cell Allowance	166 339	165 590
Performance Bonuses	82 387	53 454
Contributions to UIF, Medical and Pension Funds	78 594	79 891
Housing Allowance	53 988	43 988
	869 166	803 452

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	2012 R	2011 R
21. EMPLOYEE RELATED COSTS (continued)		
Remuneration of Infrastructure Planning and Development Manager- Senior Manager- Mr AW Velem		
Annual Remuneration	467 106	443 276
Car Allowance, Cell Allowance	161 075	185 977
Performance Bonuses	82 387	71 200
Contributions to UIF, Medical and Pension Funds	97 401	62 549
Housing	61 198	58 198
	869 167	821 200
22. REMUNERATION OF COUNCILLORS		
Mayor	-	550 197
Mayor - After May 2011	630 735	46 918
Deputy Mayor	-	445 644
Deputy Mayor - After May 2011	508 358	38 088
Speaker	-	445 644
Speaker - After May 2011	508 358	38 088
Executive Committee Member	264 155	422 561
Councillors	1 400 276	802 767
Councillors' pension and medical aid contributions	268 269	107 856
Councillors allowances	675 258	300 640
	4 255 409	3 198 403
In-kind benefits		
The Mayor, Deputy Mayor, Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has use of a Council owned vehicle for official duties.		
23. DEBTS WRITTEN OFF		
Debt written off	1 428 415	6 506 544
24. DEPRECIATION AND AMORTISATION		
Property, plant and equipment	40 214 469	15 535 435
Intangible assets	337 794	312 597
	40 552 263	15 848 032
25. FINANCE COSTS		
Borrowings	728 242	1 247 831
26. BULK PURCHASES		
Electricity	51 610 779	40 372 093

Greater Kokstad Local Municipality

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Notes to the Annual Financial Statements

	2012 R	2011 R
27. CASH GENERATED FROM OPERATIONS		
(Deficit) surplus	(22 502 966)	14 964 548
Adjustments for:		
Depreciation and amortisation	40 552 263	15 848 032
Gain sale of assets and liabilities	(22 056)	(593 607)
Debt impairment	1 428 415	6 506 544
Movements in retirement benefit assets and liabilities	1 952 175	1 788 198
Movements in provisions	611 385	1 082 708
Prior year adjustment	(2 374 144)	-
Changes in working capital:		
Inventories	70 465	(130 785)
Other receivables from non-exchange transactions	2 441 245	(2 776 722)
Trade and other receivables from exchange transactions	7 234 026	(4 538 216)
Prepayments	(151 536)	266 398
Trade and other payables from exchange transactions	4 414 264	3 689 795
VAT	2 795 931	(2 127 997)
Unspent conditional grants and receipts	3 594 899	(348 406)
Consumer deposits	426 082	79 491
	40 470 448	33 709 981

28. COMMITMENTS

Authorised capital expenditure

Approved and Contracted for

• Infrastructure	91 581 286	12 842 141
• community	-	17 541 920
• Electricity	2 000 000	-
	93 581 286	30 384 061

Approved but not yet contracted for

• Infrastructure	3 900 000	14 971 279
• Community	14 500 000	31 193 741
	18 400 000	46 165 020

The expenditure will be financed from Government grants and own resources.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	781 400	585 703
- in second to fifth year inclusive	-	364 372
	781 400	950 075

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Greater Kokstad Local Municipality

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2012 R	2011 R
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29. RISK MANAGEMENT

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Financial risk management

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies to the annual financial statement

Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

Interest Rate Risk Management

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumer debtors, other debtors, and bank and cash balances. The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the balance of the variable rate debt instrument.

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 33 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.(cash). The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the

Greater Kokstad Local Municipality

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	2012 R	2011 R
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29. RISK MANAGEMENT (continued)

municipality.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

30. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

31. EVENTS AFTER THE REPORTING DATE

There have been no facts or circumstances of a material nature that have occurred between the balance sheet date and the date of this report that require adjustment to or disclosure in the annual financial statements.

32. FRUITLESS AND WASTEFUL EXPENDITURE

June 2007 - Penalties and interest SARS	-	5 279
June 2008 - Penalties and interest SARS	-	11 967
June 2009 - Penalties and interest SARS	-	182 304
June 2010 - Penalties and interest SARS	-	3 354
Incorrect supplier banking(PMPZ)	76 949	-
	76 949	202 904

A creditor, PMPZ Consulting, was inadvertently double paid in respect of an expense that was incurred during the year. The municipality has attempted to recover the amount with no success. The corresponding VAT on the duplicate invoice will be disallowed as an input tax credit and therefore the full amount has been provided for a fruitless and wasteful expenditure.

33. IRREGULAR EXPENDITURE

Opening balance	2 719 490	478 163
Add: Irregular expenditure - current year	8 553 176	2 719 490
Less: Amounts condoned	-	(478 163)
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	11 272 666	2 719 490

Details of irregular expenditure – current year

Cllr B.M Mtolo was a member of Zincume Mangeni JV Security,he subsequently resigned 25 July Payments were in relation to inauguration of council for the period May 2011- 25 July 2011 when he officially resigned as director.	34 770
Contract awarded to Kenoli Engineering even though they did not score the highest points .	198 948
Contracts awarded to people in the service of the state	1 657 786
Contracts awarded without specification of preference points	3 428 036
Contracts awarded through incorrect bidding process	1 999 167
Extension of contract beyond scope of work as per SLA : Delta blue	1 234 469

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Notes to the Annual Financial Statements

	2012 R	2011 R
33. IRREGULAR EXPENDITURE (continued)		
		8 553 176

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Notes to the Annual Financial Statements

	2012 R	2011 R
34. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
Contributions to organised local government		
Current year subscription / fee	309 463	281 330
Amount paid - current year	(309 463)	(281 330)
	-	-
Audit fees		
Current year subscription / fee	1 502 781	1 791 729
Amount paid - current year	(1 502 781)	(1 791 729)
	-	-
PAYE and UIF		
Current year subscription / fee	10 116 099	8 384 004
Amount paid - current year	(10 116 099)	(8 384 004)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	15 213 695	13 070 941
Amount paid - current year	(15 213 695)	(13 070 941)
	-	-

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

Kindly note councillors listed below have made arrangements for settlement with the Municipality.

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ZA Mhlongo	-	9 967	9 967
Councillor N Mavuka	-	7 769	7 769
Councillor N T Mqikela	-	2 033	2 033
	-	19 769	19 769
30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ZA Mhlongo	-	14 988	14 988
Councillor P Nocanda	-	3 305	3 305
Councillor N Mavuka	-	10 868	10 868
	-	29 161	29 161

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34. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

Councillors in debt with the municipality

The matter in question relates to cellphone contract subscriptions paid by the municipality on behalf of the councillors.

The matter has been reported to the council.

Adequate steps have been taken to recoup municipal funds.

Cllr B.M Mtolo	13, 087	
Cllr X. Xelithole	12, 805	
Cllr N.Mqilela	12, 161	

35. SCM DEVIATIONS

Description

Sole Suppliers	324 023	1 252 724
Emergencies	67 459	404 659
One quote	131 164	1 885 574
Two quotes	50 000	659 011
Other deviations	1 347 997	-
	1 920 643	4 201 968

36. ELECTRICITY LOSSES

The municipality has identified electricity losses in units 544 800.82, with an estimated value of R 260 687.19.

37. CONTINGENT LIABILITIES

The municipality is involved in the following litigation issues as stated in the table below.

The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

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	Type	Issue	Name of Attorney	Instruction Date	Managements estimate of financial exposure
1.	CIDB Hearing	Alleged Irregular Award of Tender of Phase 3 Road Construction.	Matthew Francis Inc.	11/08/2010	R 35 000
2.	High Court Civil Litigation	Improper Township Development (Ext7) by Torgos PTY (Ltd)	Matthew Francis Inc.	03/11/2010	R 750 000
3.	High Court Civil Litigation	Shayamoya Landfill Site Rehabilitation - Bid Award Objection by MKT Construction (The Unpreferred Bidder)	Matthew Francis Inc.	04 August 2011	R 50 000
4.	High Court Civil Litigation	Electricity Tariffs Dispute (Kokstad Chamber of Commerce on behalf of some businesses)	Matthew Francis Inc.	19 October 2011	R 70 000
5.	Objection Hearing	ICT Turnaround Strategy (Bid Award)	Matthew Francis Inc.	21 May 2012	R 40 000
6.	High Court Civil Litigation	Breach of contract- Inkunzi Civils	Elliot & Walker Attorneys	15 November 2007	R 458 984

38. CORRECTION OF ERROR

Provision for landfill site

Provision incorrectly raised

- (3 678 270)

Contributions to local government were incorrectly disclosed as R 309 463 in the year 2011 financial year, this figure related to 2011/2012 financial year.

The correct value as at 30 June 2011 was R 281 330. Refer to note 35. Additional disclosure as per Municipal Finance Act.

39. CHANGES IN ACCOUNTING POLICY

Greater Kokstad Municipality is a low capacity Municipality and hence has to fully comply to all accounting standards as issued by Directive 5 of the Accounting Standards Board.

The accounting implication in the current year would require Kokstad to comply fully with the Standards of Generally

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
39. CHANGES IN ACCOUNTING POLICY (continued)		
Recognised Accounting Practice and the exemption of valuation would be adjusted for retrospectively in the annual financial statements.		
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the full implementation of the following standards:		
<ul style="list-style-type: none">• GRAP 16 - Investment Property• GRAP 17 - Property, Plant and Equipment• GRAP 102- Intangible Assets		
Provision		
The accounting policy with regards to the provision changed as follows:		
2011- Category B- Irregular payers (50% less than 60 days and 100% on res)		
2012- Category B- Irregular payers (50% less than 180 days and 100% on res)		
The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2011 is as follows:		
Statement of financial position		
Property, plant and equipment		
Previously stated	-	140 082 464
Adjustment	-	248 806 333
	-	388 888 797
Intangible assets		
Previously stated	-	825 742
Adjustment	-	(288 301)
	-	537 441
Investment property		
Previously stated	-	16 462 700
Adjustment	-	(12 903 187)
	-	3 559 513
Opening retained earnings		
Previously stated	145 530 258	108 461 987
Adjustment	239 769 494	246 827 629
	385 299 752	355 289 616
Statement of financial performance		
Amortisation		
Previously stated	-	(210 262)
Adjustment	-	(102 335)
	-	(312 597)
Depreciation		
Previously stated	-	(8 570 334)
Adjustment	-	(6 974 401)
	-	(15 544 735)

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
40. REVENUE		
Property rates	52 045 924	52 250 702
Property rates – Penalties imposed and collection charges	2 640 932	458 803
Service charges	88 037 842	82 376 866
Rental of facilities & equipment	1 018 257	875 464
Public contributions and donations	9 197	2 067 340
Fines	1 457 330	742 976
Licences and permits	2 890 119	4 023 111
Government grants & subsidies	73 603 215	64 671 158
Interest received - investment	771 048	1 070 185
	222 473 864	208 536 605

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	88 037 842	82 376 866
Rental of facilities & equipment	1 018 257	875 464
Licences and permits	2 890 119	4 023 111
	91 946 218	87 275 441

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	52 045 924	52 250 702
Property rates – Penalties imposed and collection charges	2 640 932	458 803
Public contributions and donations	9 197	2 067 340
Fines	1 457 330	742 976
Government grants & subsidies	73 603 215	64 671 158
Interest received - investment	771 048	1 070 185
	130 527 646	121 261 164

41. RELATED PARTIES

Relationships
Deputy Mayor Mr B Mtolo

Mayor

Member on Zincume Security Service which provided services to the municipality.
Director of Sisonke Economic Development Agency (Pty) Ltd which is a municipal entity of the Sisonke District Municipality

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

	2012 R	2011 R
42. UNAUTHORISED EXPENDITURE		
Unauthorised expenditure	42 465 441	-

1. Rates

Due to changes in Property market values as a result of supplementary roll that issues during the year, Property values reduced deviating from budgeted from Property values.

2. Employee Costs

Cotga seconded two employees Municipal and Executive manager corporate services. Due to the short notice it was negotiated at a higher acting fees. Increase in cost of employee costs was also due to unanticipated resignation resulting in settlement packages thus deviating from budgeted.

3. Depreciation

Due to the unbundling of assets depreciation increased.

4. Materials & Bulk Purchases

Bulk Eskom purchases, unit prices utilised to compile approved budget changed after budget as Eskom unit prices only after final approved budget.

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Appendix A: Schedule of external loans

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
LOAN STOCK		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
STRUCTURED LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
FUNDING FACILITY		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
DEVELOPMENT BANK OF SOUTH AFRICA		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
BONDS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
OTHER LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
LEASE LIABILITY		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
ANNUITY LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
GOVERNMENT LOANS		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

[illegible]

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012[illegible]

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Supplementary Information

Appendix B: Analysis of property, plant and equipment

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009																
	Cost/Revaluation									Accumulated depreciation						
	Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings																
1.1.1300.0105.: Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure																
1.1.1300.0101.: (Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0101.: (Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0102.: (Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0102.: (Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0102.: (Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0103.: (Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0103.: (Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0103.: (Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0104.: (Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0104.: (Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: (Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.0105.: Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets																
1.1.1300.1400.: Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.1400.: Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets																

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009																
	Cost/Revaluation									Accumulated depreciation						
	Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
1.1.1300.2310.:Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2310.:Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.3400.:Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1300.2400.:Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undefined Difference: Agricultural/Biological assets													(1 017 405)			
1.1.1301.0000.(Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1302.0000.(Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009																
	Cost/Revaluation										Accumulated depreciation					
	Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1303.0000.(Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1.1303.0000.(Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undefined Difference: Investment properties													(2 181)			
1.1.1304.0000.(Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undefined Difference:													(3 560)			
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009																
Cost/Revaluation									Accumulated depreciation							
Opening Balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Revaluations	Foreign exchange movements	Other changes, movements	Depreciation	Impairment loss	Impairment reversal	Closing Balance	Opening Balance	Additions	Additions through business combinations	Disposals
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Greater Kokstad Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

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APPENDIX E(1) for the ended 30 June 2012

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2011 Act. Bal. R'000	Current year 2011 Bud. Amt R'000	Variance R'000		Prior Year # 1 2010 Forecast Amt R'000	Variance R'000	Var		Prior Year # 1 2010 Act. Bal. R'000	Prior Year # 1 2010 Bud. Amt R'000	Variance R'000			Current year 2011 Forecast Amt R'000	Variance R'000		Budget Remaining R'000	Current year 2011 Bud. Amt R'000
							Revenue										
-	-	-	-	-	-	-	- Sale of goods	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Sale of goods in agricultural activities	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rendering of services	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rendering of services in agricultural activities	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Property rates	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Service charges	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Levies	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Property rates - penalties imposed and collection charges	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Sales of housing	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Construction contracts	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Royalty income	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Rental of facilities and equipment	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Interest received (trading)	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Dividends received	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Income from agency services	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Public contributions and donations	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Fines	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Licences and permits	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Government grants & subsidies	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Municipal Revenue UD1	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Municipal Revenue UD2	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Revenue 1	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Revenue 2	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Miscellaneous other revenue	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Administration and management fees received	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Fees earned	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	- Commissions received	-	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2011 Act. Bal.	Current year 2011 Bud. Amt	Variance		Prior Year # 1 2010 Forecast Amt	Variance		Prior Year # 1 2010 Act. Bal.	Prior Year # 1 2010 Bud. Amt	Variance		Current year 2011 Forecast Amt	Variance		Budget Remaining	Current year 2011 Bud. Amt
-	-	-	-	-	-	- Royalties received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Rental income	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Discount received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Recoveries	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other income 1	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other income 2	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other income 3	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other income	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income 1	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income 2	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income 3	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income 4	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Other farming income	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Government grants	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Interest received - investment	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Interest received - other	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Dividends received	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses															
-	-	-	-	-	-	- Personnel	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Remuneration of councillors	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Administration	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Transfer payments	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Depreciation	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Impairment	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Amortisation	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Impairments	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Reversal of impairments	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Finance costs	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Debt impairment	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Collection costs	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Repairs and maintenance - Manufacturing expenses	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Repairs and maintenance - General	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	- Repairs and maintenance - General	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2011 Act. Bal.	Current year 2011 Bud. Amt	Variance	Prior Year # 1 2010 Forecast Amt	Variance		Prior Year # 1 2010 Act. Bal.	Prior Year # 1 2010 Bud. Amt	Variance		Current year 2011 Forecast Amt	Variance	Budget Remaining	Current year 2011 Bud. Amt
-	-	-	-	-	- Bulk purchases	-	-	-	-	-	-	-	-
-	-	-	-	-	- Contracted Services	-	-	-	-	-	-	-	-
-	-	-	-	-	- Grants and subsidies paid	-	-	-	-	-	-	-	-
-	-	-	-	-	- Cost of housing sold	-	-	-	-	-	-	-	-
-	-	-	-	-	- Expenses (by function)	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other (taken out of General expenses)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	- Operating profit	-	-	-	-	-	-	-	-
-	-	-	-	-	- Other revenue and costs	-	-	-	-	-	-	-	-
-	-	-	-	-	- Gain on disposal of assets and liabilities	-	-	-	-	-	-	-	-
-	-	-	-	-	- Deficit on foreign exchange	-	-	-	-	-	-	-	-
-	-	-	-	-	- Fair value adjustments	-	-	-	-	-	-	-	-
-	-	-	-	-	- Gains or losses on biological assets and agricultural produce	-	-	-	-	-	-	-	-
-	-	-	-	-	- Income from equity accounted investments	-	-	-	-	-	-	-	-
-	-	-	-	-	- Profit and loss on sale of non-current assets held for sale and net assets of disposal groups	-	-	-	-	-	-	-	-
-	-	-	-	-	- Taxation	-	-	-	-	-	-	-	-
-	-	-	-	-	- Discontinued operations	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	- Net surplus/ (deficit) for the year	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

Current year 2011 Act. Bal.	Current year 2011 Bud. Amt	Variance	Prior Year # 1 2010 Forecast Amt	Variance

Prior Year # 1 2010 Act. Bal.	Prior Year # 1 2010 Bud. Amt	Variance	Current year 2011 Forecast Amt	Variance	Budget Remaining	Current year 2011 Bud. Amt

GREATER KOKSTAD MUNICIPALITY
Un Audited APPENDIX A
SCHEDULE OF EXTERNAL LOANS
FOR THE ENDED 30 JUNE 2012

EXTERNAL	Loan number	Redeemable Date	Balance at 30 June 2011	Received during the period	Redeemed / written off during the period	Balance at 30 June 2012
LONG-TERM LOANS						
	INCA - R 5 934-50805	30/06/2016	4 078 298	-	(558 036)	3 520 262
Total long-term loans			4 078 298	-	(558 036)	3 520 262
TOTAL EXTERNAL LOANS			4 078 298		(558 036)	3 520 262

Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA

Greater kokstad Municipality
APPENDIX E
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
as at 30 June 2012

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R	R	R
Financial Performance									
Property Rates	85 962 000	88 640 000	-	88 640 000	52 045 924		36 594 076	59	61
Service Charges	106 878 000	112 402 000	-	112 402 000	88 037 842		24 364 158	78	82
Investment Revenue	1 011 000	660 500	-	661 000	771 048		-110 048	117	76
Transfers Recognised - Operational	49 306 000	41 935 000	-	41 935 000	73 603 215		-31 668 215	176	149
Other Own Revenue	39 865 000	17 896 073	-	17 896 000	8 234 826		9 661 174	46	21
Total Revenue (Excluding Capital Transfers & Contributions)	283 022 000	261 533 996	-	261 534 000	222 692 855	-	38 841 145	475	389
Employee Costs	73 487 000	67 614 000	-	67 615 000	69 267 399	-1 652 399	-1 652 399	102	94
Remuneration Of Councillors	4 831 000	4 314 000	-	4 314 000	4 255 409		58 591	99	88
Debt Impairment	-	1 000 000	-	-	-		-	-	-
Depreciation & Asset Impairment	2 000 000	1 042 000	-	1 000 000	40 552 263	-39 552 263	-39 552 263	4 055	2 028
Finance Charges	1 525 000	-	-	1 042 000	728 242		313 758	70	48
Materials & Bulk Purchases	50 350 000	50 350 000	-	50 350 000	51 610 779	-1 260 779	-1 260 779	103	103
Transfers & Grants	-	-	-	-	-		-	-	-
Other Expenditures	97 666 000	91 654 000	-	91 654 000	78 803 785		12 850 215	86	81
Total Expenditure	229 859 000	215 974 000	-	215 975 000	245 217 877	-42 465 441	-29 242 877	4 515	2 441
Gain on disposal of assets and liabilities					22 056				
Surplus/(Deficit)	53 163 000	45 560 000	-	45 560 000	-22 502 966	42 465 441	68 062 966	-4 039	-2 052
Transfers Recognised - Capital	37 277 000	38 976 000	-	38 976 000	27 082 248		11 893 752	69	73
Contributions Recognised - Capital & Contributions	-	-	-	-	-		-	-	-
Surplus/(Deficit) After Capital Transfers & Contributions	90 440 000	85 843 000	-	84 536 000	4 579 282	42 465 441	79 956 718	69	73
Share Of Surplus/(Deficit) Of Associate	-	-	-	-	-		-	-	-
Surplus/(Deficit) For The Year	90 440 000	85 843 000	-	84 536 000	4 579 282		79 956 718	69	73
Capital Expenditure & Funds Sources									
Capital Expenditure	87 440 000	85 843 000	-	85 843 000	70 028 248	-	15 814 752	161	160
Transfers Recognised - Capital	34 277 000	40 283 000	-	40 283 000	27 082 248		13 200 752	67	79
Public Contributions & Donations	-	-	-	-	-		-	-	-
Borrowing	-	-	-	-	-		-	-	-
Internally Generated Funds	53 163 000	45 560 000	-	45 560 000	42 946 000		2 614 000	94	81
Total Sources Of Capital Funds	87 440 000	85 843 000	-	85 843 000	70 028 248	-	15 814 752	161	160
Cash flows									
Net Cash From (Used) Operating	71 570 000	33 709 926	-	33 710 000	40 470 448	-	-	-	-
Net Cash From (Used) Investing	-75 318 000	-30 017 000	-	-30 017 000	-38 371 367	-	-	-	-
Net Cash From (Used) Financing	-1 387 000	-3 759 000	-	-3 759 000	1 285 399	-	-	-	-
Cash/Cash Equivalents At The Year End	-290 000	5 631 000	-	4 779 000	3 384 480	-	-	-	-

Unauthorised Expenditure

1.Rates

Due to changes in Property market values as a result of supplementary roll that issues during the year.Property values reduced deviating from budgeted from property values.

2.Employee Costs

Cogta seconded two employees Municipal and Executive manager corporate services.Due to the short notice it was negotiated at higher acting fees.

Increase in cost also due unanticipated resignation resulting in settlement packages deviating from budgeted .

3.Materials & Bulk Purchases

Bulk Eskom purchases, unit prices utilised to compile approved budget changed after budget as Eskom unit prices only after final approved budget.

